

CITY OF OELWEIN

INDEPENDENT AUDITOR'S REPORT
BASIC FINANCIAL STATEMENTS &
SUPPLEMENTAL INFORMATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

JUNE 30, 2009

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CITY OF OELWEIN

OFFICIALS

<u>NAME</u>	<u>TITLE</u>	<u>TERM EXPIRES</u>
Larry Murphy	Mayor	January 2010
Duane Brandt	Mayor Pro Tem	January 2012
Mike Kerns	Council Member	January 2010
John Gosse	Council Member	January 2010
Paul Ryan	Council Member	January 2012
Rex Erickson	Council Member	January 2010
Gene Vine	Council Member	January 2012
(Resigned 2/08)		
Nathan Lein	Council Member	January 2012
(Elected 3/08 to replace Gene Vine)		
Steven H. Kendall	City Administrator/Clerk/ Treasurer	Indefinite
Barb Rigdon	Deputy City Clerk/	Indefinite
Ronald VanVeldhuizen	Attorney	Indefinite

RFSW Ridihalgh Fuelling
Snitker Weber & Co.
C E R T I F I E D P U B L I C A C C O U N T A N T S

James R. Ridihalgh, C.P.A.
Gene L. Fuelling, C.P.A.
Donald A. Snitker, C.P.A.

14 East Charles St, PO Box 639
Oelwein, IA 50662
(319)283-1173
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Independent Auditor's Report

To the Honorable Mayor and
Members of the City Council:

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Oelwein, Iowa, as of and for the year ended June 30, 2009, which collectively comprise the City's basic financial statements listed in the table of contents. These financial statements are the responsibility of the City of Oelwein's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards, the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards and provisions require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinions.

As described in Note 1, these financial statements were prepared on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than U.S. generally accepted accounting principles.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash basis financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Oelwein as of June 30, 2009, and the respective changes in cash basis financial position for the year then ended in conformity with the basis of accounting described in Note 1.

In accordance with Government Auditing Standards, we have also issued our reports dated November 20, 2009 on our consideration of the City of Oelwein's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants agreements and other matters. The purpose of those reports is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on internal control over financial reporting or compliance. Those reports are an integral part of an

audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Management's Discussion and Analysis and budgetary comparison information on pages I through VII and 1 through 8 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. We did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Oelwein's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the nine years ended June 30, 2008 (none of which are presented herein) and expressed unqualified opinions on those financial statements which were prepared in conformity with an other comprehensive basis of accounting. Other supplementary information included in Schedules 1 through 8, including the Schedule of Expenditures of Federal Awards required by U.S. Office of Management and Budget (OMB) Circular A-133, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Ridihalgh, Fuelling, Snitker, Weber & Co., P.C.

Ridihalgh, Fuelling, Snitker, Weber & Co., P.C.

November 20, 2009

CITY OF OELWEIN
20 2nd Ave SW, Oelwein, IA 50662
319-283-5440 Fax 319-283-4032

Larry Murphy, Mayor
Duane Brandt, Mayor Pro Tem
Mike Kerns, Council At-Large
John Gosse, 2nd Ward Council
Nathan Lein, 3rd Ward Council
Rex Ericson, 4th Ward Council
Paul Ryan, Council At-Large

Steven Kendall, City Administrator
Barbara Rigson, Deputy City Clerk
Ron Van Veldhuizen, City Attorney
Jeremy Logan, Police Chief
Wally Rundle, Fire Chief
Victor Kane, Utilities Superintendent
Tom Stewart, Street Superintendent
Susan Macken, Librarian
Durango Steggall, Park Superintendent

MANAGEMENT'S DISCUSSION AND ANALYSIS

This discussion and analysis of the City of Oelwein's financial performance provides an overview of the City's activities for the fiscal year ended June 30, 2009. Please read it in conjunction with the City's financial statements that begin on page 4.

FINANCIAL HIGHLIGHTS

The City's total revenues exceeded total expenses by \$1,052,553 for the year, resulting in an increase in total net assets of approximately 29% over the previous year.

The City acting as the lead agency received a Homeland Security grant for the 15 county LEIN region, providing equipment, salaries and expenses in law enforcement.

A Neighborhood Stabilization grant in the amount of \$1,000,000 was awarded to the city for the purchase and redevelopment of foreclosed upon homes and residential properties to be either demolished or sold to area low-to-moderate income households.

Cities are required by statute to contribute to employee retirement plans. The City of Oelwein Police and Fire personnel participate in the Municipal Fire and Police Retirement System of Iowa (MFPRSI). MFPRSI employees contribute 9.35% of earnable compensation. Employer (City) contribution for this audit period (2008-2009) was 18.75% of compensation. The employer rate for FY 09-10 will be 17.00%.

Most other regular City employees are members of Iowa Public Employees Retirement System (IPERS). The City's portion of IPERS was 6.35% for regular employees. IPERS employees contribute 4.10% of earnable compensation.

The water rate minimum increased \$0.38 and the per 100 cubic foot consumption rate increased \$1.50 effective March 1, 2009. Additional increases in water rates will be necessary to fund major improvements to the system beginning in 2010.

The City's General Fund ended the year with a fund balance of \$410,384. This is an increase of \$100,313 (32%) since the close of last fiscal year. Of this \$100,000 is a temporary transfer in from a bond sale for the Police Department addition thus leaving a true increase of only \$313.00. It is recommended the General Fund balance remain at least 25% of the General Fund budget. During this past fiscal year 25% of the General Fund budget was \$446,507. Therefore, the General Fund was \$112,686 below the recommended minimum figure.

USING THIS ANNUAL REPORT

This annual report is presented in a format consistent with the presentation requirements of the Governmental Accounting Standards Board (GASB) Statement No. 34. GASB Statement 34 was implemented in 2004 as a new model of financial reporting for state and local governments designed to enhance the usefulness of the City's annual report.

Report Components

This annual report consists of the following parts:

Financial Statements

Notes to the Financial Statements

Required Supplementary Information

Other Supplementary Information

Basis of Accounting

The City of Oelwein has elected to present its financial statements on a cash basis of accounting. A cash basis of accounting is a basis of accounting other than generally accepted accounting principles. Basis of accounting is a reference to when financial events are recorded, such as the timing for recognizing revenues, expenses and their related assets and liabilities. Under the City's cash basis, revenues and expenses are recorded when they result from cash transactions.

As a result of the use of this cash basis of accounting, certain assets and their related revenues (such as accounts receivable and revenue for billed or provided services not yet collected) and certain liabilities and their related expenses (such as accounts payable and expenses for goods or services received but not yet paid, and accrued expenses and liabilities) are not recorded in these financial statements. Therefore, when reviewing the financial information and discussion within this annual report, the reader should keep in mind the limitations resulting from the use of the cash basis of accounting.

Reporting the City's Financial Activities

Government-wide Financial Statement

The Statement of Activities and Net Assets reports information which help express whether the City is better off than one year ago. The Statement of Activities and Net Assets presents the

City's net assets. Over time, increases or decreases in the City's net assets may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The Statement of Activities and Net Assets is divided into two kinds of activities:

- 1 – Governmental Activities include public safety, public works, culture and recreation, community and economic development, general government, debt service and capital projects. Property tax and state and federal grants finance most of these activities.
- 2 – Business Type Activities include the waterworks and the sanitary sewer system. These activities are financed primarily by user charges.

Fund Financial Statements

The City has two kinds of funds:

- 1) Governmental funds account for most of the City's basic services. These focus on how money flows into and out of those funds, and the balances at year-end that are available for spending. The governmental funds include: 1) the General Fund, 2) the Special Revenue Funds, such as Road Use Tax and Urban Renewal Tax Increment, 3) the Debt Service Fund, and 4) the Capital Projects Fund. The governmental fund financial statements provide a detailed, short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs.

The required financial statements for governmental funds include a statement of cash receipts, disbursements and changes in cash balances.

- 2) Proprietary funds account for the City's Enterprise Funds. Enterprise Funds are used to report business type activities. The City maintains two Enterprise Funds to provide separate information for the water and sewer funds, considered to be major funds of the City.

The required financial statements for proprietary funds include a statement of cash receipts, disbursements and changes in cash balances.

Reconciliation between the government-wide statement and the fund financial statements follow the fund financial statements.

Government-Wide Financial Analysis

Net assets may serve over time as a useful indicator of financial position. The City's cash balance for governmental activities increased from a year ago, from \$2,314,730 to \$4,200,711 which includes a temporary transfer in from a bond for the Police Department addition. The analysis that follows focuses on the changes in cash balances for governmental activities.

Changes in Cash Basis Net Assets of Governmental Activities (Expressed in Thousands)			Year ended June 30,	
			2009	2008
Receipts and transfers				
Program receipts:				
Charge for service	\$	132	146	
Operating grants and contributions		1,017	872	
Capital grants and contributions		421	320	
General receipts:				
Property tax		1,848	1,812	
Local option sales tax		531	474	
Tax Increment taxes		150	136	
Investment Earnings		138	271	
Other general receipts		772	599	
Total Receipts		5,009	4,630	
Transfers, net		2,299	101	
Total receipts and transfers		7,308	4,731	
Disbursements:				
Public safety		1,471	1,507	
Public works		655	642	
Health and social services		22	19	
Culture and recreation		664	674	
Community and economic development		744	672	
General government		347	250	
Debt service		741	755	
Capital projects		762	1,002	
Enterprise		16		
Total disbursements		5,422	5,521	
Increase (decrease) in cash basis net assets		1,886	(790)	
Cash basis net assets beginning of year		2,315	3,104	
Cash basis net assets end of year	\$	4,201	2,314	

The City's total receipts for governmental activities increased by 54 %, or \$2,577,000. The total cost of all programs and services decreased by approximately \$99,000, or 2%. The significant increase in receipts was primarily the result of the 2009 \$1,190,000 bond sale.

Because the City is at the maximum General Fund rate allowed (8.10) employee benefits are paid from the Trust and Agency levy. The Trust and Agency levy increased \$188,373 from \$451,787 in fiscal year 2008 to \$640,160 in fiscal year 2009.

The cost of all governmental activities this year was \$5,422,297 compared to \$5,520,992 last year. However, as shown in the Statement of Activities and Net Assets on pages 5 and 6, the amount taxpayers ultimately financed for these activities was approximately \$3,762,278. This was possible because some of the cost was paid by those directly benefited from the programs or

by other governments and organizations that subsidized certain programs with grants, contributions and restricted interest totaling approximately \$1,660,019. Overall, the City's governmental activities receipts, including intergovernmental aid and fees for service, increased in 2009 to \$5,008,660 from \$4,630,291 in 2008.

Changes in Cash Basis Net Assets of Business Type Activities (Expressed in Thousands)		
	Year ended June 30,	
	2009	2008
Receipts:		
Program receipts:		
Charges for service:		
Water	\$ 581	521
Sewer	1,125	1,136
Landfill	216	217
Recycling	80	82
Williams Center	120	135
Fuel Fund	112	114
General receipts:		
Unrestricted interest on investments	51	51
Bond proceeds	0	190
Other general receipts	3	23
Total receipts	2,288	2,469
Disbursements:		
Water	522	506
Sewer	558	442
Landfill	220	220
Recycling	82	82
Fuel fund	95	135
Wellness Center	179	181
Capital Projects	9	230
Debt Service	623	618
Transfers	833	91*
Total disbursements and transfers	3,121	2,505*
Increase (decrease) in cash balance	(833)	(36)*
Cash basis net assets beginning of year	1,330	1,366
Cash basis net assets end of year	\$ 497	1,330*

Total business type activities receipts for the fiscal year were \$2,288,203 compared to \$2,468,939 last year. Therefore disbursements and transfers for the fiscal year increased by \$616,000.

*Adjustment from 2008 draft to final audit.

Individual Major Governmental Fund Analysis

- As Oelwein completed the year, its governmental funds reported a combined balance of \$4,200,711, an increase of \$1,885,353 from last year's total of \$2,315,358. The

following are the major reasons for the changes in fund balances of the major funds from the prior year.

- The General Fund cash balance increased \$92,315 from the prior year to \$410,386 including \$100,000 temporarily transferred in from the bond sale.
- The Debt Service Fund cash balance increased by \$104,306 to \$287,239 during the fiscal year.
- Several project fund balances are temporarily inflated from the \$1,190,000 2009 Bond Sale transfers until the construction is completed, along with the unused 2009 Bond Sale Fund yearend cash balance of \$604,453.

Individual Major Business Type Fund Analysis

- The Water Fund cash balance increased by \$27,547 to \$6,219 compared to \$-19,703 in 2008.
- The Sewer Fund cash balance decreased by \$137,690 to \$201,811.

Budgetary Highlights

The City amended its budget in May. This was necessary because of additional disbursements and receipts in certain City departments. The City had sufficient cash balances and grant funds to absorb these additional costs.

Debt Administration

At June 30, 2008 the City had approximately \$5,119,000 in general obligation bond debt and \$8,352,000 in other long-term debt, for a total of \$13,075,000 last fiscal year as shows below.

Outstanding Debt at Year End (Expressed in Thousands)		
	June 30, 2009	2008
General obligation bonds	\$ 5,090	4,250
Urban renewal tax increment financing revenue bonds	29	57
Total	\$ 5,119	4,307
Sewer Revenue Notes	7,919	8,273
CEBA Loan Agreement	148	2
Economic Development Loan	113	143
Library Pledge Loan	172	350
Total	\$ 13,471	13,075

Debt increased during the 2009 fiscal year. The Constitution of the State of Iowa limits the amount of general obligation debt cities can issue to 5% of the assessed value of all taxable property within the City's corporate limits. The City's outstanding general obligation debt of \$5,118,638 is below its constitutional debt limit of \$10,078,804.

Economic Factors and Next Year's Budget and Rates

The City Council considered many factors when setting the fiscal year 2010 budget, tax rates and fees that will be charged for various City activities.

Expenditures financed from the 2009 Bond Sale will continue next fiscal year. The City Council has programmed to transfer \$175,000 towards paving 7th Street SE soft costs, \$150,000 towards 2nd Street SE Curb and Gutter, and \$100,000 towards paving 10th Street SE.

The City will continue construction on major water and sewer system upgrades during the next fiscal year.

Contacting the City's Financial Management

This financial report is designed to provide our citizens, taxpayers, customers and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Steven Kendall, City Treasurer, 20 Second Avenue SW, Oelwein, Iowa.

Statement of Activities and Net Assets - Cash Basis

As of and for the year ended June 30, 2009

	Disbursements	Program Receipts		
		Charges for Service	Operating Grants, Contributions, and Restricted Interest	Capital Grants, Contributions and Restricted Interest
Functions / Programs:				
Governmental activities:				
Public safety	\$ 1,470,636	66,780	270,245	-
Public works	654,838	54,203	557,266	351,894
Health and social services	22,210	-	-	-
Culture and recreation	664,204	155,517	188,943	-
Community and economic development	743,863	-	2,493	-
General government	346,965	-	-	-
Debt service	741,453	-	-	-
Capital projects	762,187	-	-	12,678
Enterprise	15,941	-	-	-
Total governmental activities	5,422,297	276,500	1,018,947	364,572
Business type activities:				
Water	495,520	581,433	-	-
Sewer	558,143	1,124,909	-	-
WWTP Improvements	8,777	-	-	-
Sewer Bond Sinking	622,508	-	-	-
Nonmajor business type funds	602,479	552,450	-	-
Total business type activities	2,287,427	2,258,792	-	-
Total	\$ 7,709,724	2,535,292	1,018,947	364,572

General Receipts:

Property tax levied for:
 General purposes
 Tax increment financing
 Debt service
 Local option sales tax
 Hotel/Motel Tax
 Unrestricted interest
 Miscellaneous
 Bond Proceeds
 USDA Promissory Note
 Rents
 Transfers

Total general receipts and transfers

Change in cash basis net assets

Cash basis net assets beginning of year

Cash basis net assets end of year

Cash Basis Net Assets

Restricted:

Lein Grant
 Housing Grant
 Streets
 Debt service
 IRP Relending Program
 Unrestricted

Total cash basis net assets

See notes to financial statements

Net (Disbursements) Receipts and
Changes in Cash Basis Net Assets

Governmental Activities	Business Type Activities	Total
(1,133,611)	-	(1,133,611)
308,525	-	308,525
(22,210)	-	(22,210)
(319,744)	-	(319,744)
(741,370)	-	(741,370)
(346,965)	-	(346,965)
(741,453)	-	(741,453)
(749,509)	-	(749,509)
(15,941)	-	(15,941)
(3,762,278)	-	(3,762,278)
-	85,913	85,913
-	566,766	566,766
-	(8,777)	(8,777)
-	(622,508)	(622,508)
-	(50,029)	(50,029)
-	(28,635)	(28,635)
(3,762,278)	(28,635)	(3,790,913)
1,572,426	-	1,572,426
148,512	-	148,512
455,177	-	455,177
483,465	-	483,465
47,860	-	47,860
241,600	29,411	271,011
272,752	-	272,752
1,169,792	-	1,169,792
295,624	-	295,624
127,664	-	127,664
833,576	(833,576)	-
5,648,448	(804,165)	4,844,283
1,886,170	(832,800)	1,053,370
2,315,358	1,329,850	3,645,208
\$ 4,201,528	497,050	4,698,578
\$ 320	-	320
2,930	-	2,930
172,242	-	172,242
923,522	91,603	1,015,125
89,333	-	89,333
3,016,431	405,447	3,421,878
\$ 4,201,528	497,050	4,698,578

Statement of Cash Receipts, Disbursements
and Changes in Cash Balances
Governmental Funds

As of and for the year ended June 30, 2009

	General	Special Revenue		
		#64-Employee Benefits	#66-Road Use Tax	#74-Library Bequests
Receipts:				
Property tax	\$ 902,617	640,160	-	-
Tax increment financing collections	-	-	-	-
Other city tax	-	-	-	-
Licenses and permits	77,139	-	-	-
Use of money and property	64,069	1,636	-	20,966
Intergovernmental	67,584	-	557,266	-
Special assessments	-	-	-	-
Charges for service	132,138	-	-	-
Miscellaneous	152,902	17,767	-	1,784
Total receipts	1,396,449	659,563	557,266	22,750
Disbursements:				
Operating:				
Public safety	880,599	346,045	-	-
Public works	54,013	36,892	563,933	-
Health and social services	-	-	-	-
Culture and recreation	553,625	98,643	-	11,936
Community and economic development	-	5,341	-	-
General government	225,438	121,527	-	-
Debt service	-	-	-	-
Capital projects	120,018	225	-	-
Enterprise	-	23	-	-
Total disbursements	1,833,693	608,696	563,933	11,936
Excess of receipts over disbursements	(437,244)	50,867	(6,667)	10,814
Other financing sources (uses):				
U.S.D.A. Promissory Note	-	-	-	-
Bond Proceeds	-	-	-	-
Operating transfers in	531,369	-	-	-
Operating transfers out	(1,810)	-	(45,820)	-
Total other financing sources (uses)	529,559	-	(45,820)	-
Net change in cash balances	92,315	50,867	(52,487)	10,814
Cash balances beginning of year	318,071	65,026	224,729	429,323
Cash balances end of year	\$ 410,386	115,893	172,242	440,137
Cash Basis Fund Balances				
Reserved for debt service	\$ -	-	-	-
Unreserved				
General fund	410,386	-	-	-
Special revenue funds	-	115,893	172,242	440,137
Capital projects	-	-	-	-
Permanent fund	-	-	-	-
Total cash basis fund balances	\$ 410,386	115,893	172,242	440,137

See notes to financial statements

Capital Projects			Nonmajor	
#75-Economic Development	#81-Sewer Main Const.	#85-2009 Bond Sale	Governmental Funds	Total
-	-	-	305,315	1,848,092
1,508	-	-	148,512	150,020
-	-	-	531,325	531,325
-	-	-	-	77,139
9,141	7,648	674	33,512	137,646
150,248	-	-	663,126	1,438,224
-	-	-	186,564	186,564
-	-	-	-	132,138
91,875	-	-	244,001	508,329
252,772	7,648	674	2,112,355	5,009,477
-	-	-	243,992	1,470,636
-	-	-	-	654,838
-	-	-	22,210	22,210
-	-	-	-	664,204
390,907	-	-	347,615	743,863
-	-	-	-	346,965
-	-	-	741,453	741,453
-	55,191	19,128	567,625	762,187
-	-	-	15,918	15,941
390,907	55,191	19,128	1,938,813	5,422,297
(138,135)	(47,543)	(18,454)	173,542	(412,820)
-	-	-	295,624	295,624
-	-	1,169,792	-	1,169,792
342,300	750,000	-	699,522	2,323,191
(104,424)	-	(546,885)	(790,678)	(1,489,617)
237,876	750,000	622,907	204,468	2,298,990
99,741	702,457	604,453	378,010	1,886,170
404,575	-	-	873,634	2,315,358
504,316	702,457	604,453	1,251,644	4,201,528
-	-	-	297,187	297,187
-	-	-	-	410,386
-	-	-	521,828	1,250,100
504,316	702,457	604,453	178,556	1,989,782
-	-	-	254,073	254,073
504,316	702,457	604,453	1,251,644	4,201,528

City of Oelwein

Reconciliation of the Statement of Cash
Receipts, Disbursements and Changes in Cash Balances
to the Statement of Activities and Net Assets -
Governmental Funds

As of and for the year ended June 30, 2009

Total governmental funds cash balances (page 8)	\$ 4,201,528
--	---------------------

The city does not have an internal service fund.
Therefore there are no reconciling items.

-

Cash basis net assets of governmental activities (page 8)	\$ 4,201,528
--	---------------------

Net change in cash balances (page 8)	\$ 1,886,170
---	---------------------

The city does not have an internal service fund.
Therefore there are no reconciling items.

-

Change in cash basis net assets of governmental activities (page 8)	\$ 1,886,170
--	---------------------

See notes to financial statements

City of Oelwein

Statement of Cash Receipts, Disbursements and Changes in Cash Balances
Proprietary Funds

As of and for the year ended June 30, 2009

	Enterprise Funds					Total
	Water	Sewer	WWTP Improvement	Sewer Bond Sinking	Nonmajor	
Operating receipts:						
Charges for service	531,126	1,100,569	-	-	515,114	2,146,809
Miscellaneous	50,307	24,340	-	-	37,336	111,983
Total operating receipts	581,433	1,124,909	-	-	552,450	2,258,792
Operating disbursements:						
Business type activities	495,520	558,143	8,777	-	599,409	1,661,849
Culture & Recreation	-	-	-	-	3,070	3,070
Debt service:						
Principal	-	-	-	354,000	-	354,000
Interest	-	-	-	248,138	-	248,138
Miscellaneous	-	-	-	20,370	-	20,370
Total operating disbursements	495,520	558,143	8,777	622,508	602,479	2,287,427
Excess (deficiency) of operating receipts over (under) operating disbursements	85,913	566,766	(8,777)	(622,508)	(50,029)	(28,635)
Non-operating receipts (disbursements):						
Interest on Investments	433	7,314	10,228	8,489	2,947	29,411
Total non-operating receipts (disbursements)	433	7,314	10,228	8,489	2,947	29,411
Excess (deficiency) of receipts over (under)disbursements	86,346	574,080	1,451	(614,019)	(47,082)	776
Operating transfers in	46,721	-	-	624,000	62,993	733,714
Operating transfers out	(105,520)	(711,770)	(750,000)	-	-	(1,567,290)
Net transfers	(58,799)	(711,770)	(750,000)	624,000	62,993	(833,576)
Net change in cash balances	27,547	(137,690)	(748,549)	9,981	15,911	(832,800)
Cash balances beginning of year	(21,328)	339,501	788,645	141,134	81,898	1,329,850
Cash balances end of year	\$ 6,219	201,811	40,096	151,115	97,809	497,050
Cash Basis Fund Balances						
Reserved	\$ -	-	40,096	151,115	10,987	202,198
Unreserved	6,219	201,811	-	-	86,822	294,852
Total cash basis fund balances	\$ 6,219	201,811	40,096	151,115	97,809	497,050

See notes to financial statements

SCHEDULE E

City of Oelwein

Reconciliation of the Statement of Cash
Receipts, Disbursements and Changes in Cash Balances
to the Statement of Activities and Net Assets -
Proprietary Funds

As of and for the year ended June 30, 2009

Total enterprise funds cash balances (page 10)	\$ 497,050
---	-------------------

The city does not have an internal service fund.
Therefore there are no reconciling items.

-

Cash basis net assets of business type activities (page 6)	\$ 497,050
---	-------------------

Net change in cash balances (page 10)	\$ (832,800)
--	---------------------

The city does not have an internal service fund.
Therefore there are no reconciling items.

-

Change in cash basis net assets of business type activities (page 6)	\$ (832,800)
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See notes to financial statements

CITY OF OELWEIN

Notes to Financial Statements

June 30, 2009

1. Summary of Significant Accounting Policies

The City of Oelwein is a political subdivision of the State of Iowa located in Fayette County. It was first incorporated in 1873 and operates under the Home Rule provisions of the Constitution of Iowa. The City operates under the Mayor-Council form of government with the Mayor and Council Members elected on a non-partisan basis. The City provides numerous services to citizens including public safety, public works, health and social services, culture and recreation, community and economic development and general government services. The City also provides water and sewer utilities for its citizens.

A. Reporting Entity

For financial reporting purposes, the City of Oelwein has included all funds, organizations, agencies, boards, commissions and authorities. The City has also considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the City are such that exclusion would cause the City's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the City to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on the City. The City has no component units which meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organizations

The City participates in several jointly governed organizations that provide goods or services to the citizenry of the City but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. City officials are members of the following boards and commissions: Fayette County's Assessor's Conference Board; Fayette County Homeland Security/Emergency Management Commission; Fayette County Compensation Board; Fayette County E911; the Fayette County Local Emergency Planning Committee; Fayette County Solid Waste Management Commission, Bremer County/City of Oelwein Law Enforcement Mutual Aid, Upper Explorerland Regional Planning Commission, Fayette County Firemen's Association, Buchanan County Firemen's Association, Iowa Firemen's Association, Iowa Fire Chief's Association, Iowa Arson Investigators Association, International Fire Chief's Association, Oelwein Chamber and Area Development, Northeast Iowa City Managers, Northeast Iowa Regional League, Iowa League of Cities, Iowa City Management Association, Iowa Water Pollution Control Association, Northeast Iowa Clerks Association, Iowa Municipal Finance Officers Association, Fayette County Library

CITY OF OELWEIN

Notes to Financial Statements

June 30, 2009

Jointly Governed Organizations (continued)

Association, American Public Works Association, Iowa Chiefs of Police & Peace Officers Association; International Association of Chiefs of Police (IACP); Iowa Investigator Association; Iowa Crime Prevention Association; Governors Inoperability Board; Iowa Association of Municipal Utilities (IAMU); Iowa Rural Water Association; Iowa Municipal Workers Compensation Association (IMWCA); Trees Forever; National Arbor Day Foundation; Iowa Concrete Association; Iowa Asphalt Association, National Swimming Pool Association, Law Enforcement Intelligence Network, and Buchanan-Benton-Delaware-Fayette-Oelwein-Independence Law Enforcement Rural Area Interdiction Detail (RAID) Multi-Jurisdictional Narcotics Task Force.

B. Basis of Presentation

Government-wide Financial Statements – The Statement of Activities and Net Assets reports information on all of the nonfiduciary activities of the City. For the most part, the effect of interfund activity has been removed from this statement. Governmental activities, which are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for services.

The Statement of Activities and Net Assets presents the City's nonfiduciary net assets. Net assets are reported in two categories:

Restricted net assets result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net assets consist of net assets that do not meet the definition of the preceding category. Unrestricted net assets often have constraints on resources imposed by management, which can be removed or modified.

The Statement of Activities and Net Assets demonstrates the degree to which the direct disbursements of a given function are offset by program receipts. Direct disbursements are those clearly identifiable with a specific function. Program receipts include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function and 2) grants, contributions and interest on investments restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program receipts are reported instead as general receipts.

Fund Financial Statements – Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported

CITY OF OELWEIN

Notes to Financial Statements

June 30, 2009

B. Basis of Presentation (continued)

as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as nonmajor governmental funds.

The City reports the following major governmental funds:

The General Fund is the general operating fund of the City. All general tax receipts and other receipts not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating disbursements, the fixed charges and the capital improvement costs that are not paid from other funds.

Special Revenue:

The Employee Benefits Fund is used to account for receipt of property tax allocated for employee benefits.

The Road Use Tax Funds is used to account for receipt and disbursements of Road Use Tax Funds from the State of Iowa.

The Library Bequest Fund is used to account for receipts and disbursements of funds bequested to the Library.

Capital Projects:

The Economic Development Fund is used to account for Community and Economic Development projects.

The Sewer Main Construction Fund is used to account for updating sewer lines.

The Bond Sale Fund is used to account for the 2009 bond sale.

The City reports the following major proprietary funds:

The Water Fund accounts for the operation and maintenance of the City's water system.

The Sewer Fund accounts for the operation and maintenance of the City's waste water treatment and sanitary sewer system.

The Waste Treatment Improvement Fund is used to account for the cost of the improvements being made to the Wastewater Treatment Plant.

The Sewer Bond Sinking Fund is used to account for payments on the sewer bond debt.

CITY OF OELWEIN

Notes to Financial Statements

June 30, 2009

C. Measurement Focus and Basis of Accounting

The City of Oelwein maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the City are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items. Accordingly, the financial statements do not present financial position and results of operations of the funds in accordance with U.S. generally accepted accounting principles.

Under the terms of grant agreements, the City funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants and general receipts. Thus, when program disbursements are paid, there are both restricted and unrestricted cash basis net assets available to finance the program. It is the City's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants and then by general receipts.

Proprietary funds distinguish operating receipts and disbursements from non-operating items. Operating receipts and disbursements generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. All receipts and disbursements not meeting this definition are reported as non-operating receipts and disbursements.

D. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2009, disbursements exceeded the amounts budgeted in governmental activities - Health and Social Services and the Debt Service programs.

2. Cash and Pooled Investments

The City's deposits at June 30, 2009, were entirely covered by Federal depository insurance, or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds. The City is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidence of deposit at federally insured depository institutions approved by the City Council; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts, and warrants or improvement certificates of a drainage district.

The City had no investments at June 30, 2009.

CITY OF OELWEIN

Notes to Financial Statements

June 30, 2009

3. Bonded Indebtedness

Annual debt service requirements to maturity for general obligation and urban renewal tax increment financing revenue bonded indebtedness are as follows:

Year Ending June 30,	General Obligation Notes & Bonds		Urban Renewal Tax Increment Financing (TIF) Revenue Bond		Revenue Bonds		Total	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2010	\$ 385,000	174,508	28,638	2,261	364,000	237,720	778,362	414,489
2011	340,000	163,170	-	-	375,000	226,800	715,532	390,276
2012	305,000	155,945	-	-	386,000	215,550	691,000	371,495
2013	460,000	148,175	-	-	398,000	192,200	858,000	340,375
2014	365,000	135,205	-	-	410,000	179,730	775,000	314,935
2015-2019	2,910,000	421,611	-	-	2,241,000	768,150	5,151,000	1,189,761
2020-2024	325,000	19,280	-	-	2,599,000	411,150	2,924,000	430,430
2025-2029	-	-	-	-	1,146,000	52,050	1,146,000	52,050
Tot.	<u>\$5,090,000</u>	<u>1,217,894</u>	<u>28,638</u>	<u>2,261</u>	<u>7,919,000</u>	<u>2,283,350</u>	<u>13,038,894</u>	<u>3,503,811</u>

On December 23, 1998, the City issued \$221,000 in Urban Renewal Tax Increment Revenue Bond with Union Planters Bank of Oelwein, Iowa. Interest rate is 6.25%. Interest only to be paid December 1, 1999 and June 1, 2000. Thereafter, semi-annual installments of principal and interest of \$15,845 on December 1 and June 1 until paid. Bond was issued to defray a portion of the costs of carrying out an urban renewal project in the Oelwein Industrial Park Urban Renewal Area of the City, consisting of an economic development grant to Bertch Cabinet Mfg, Inc. This note had a June 30, 2009 balance of \$28,638. The City reserves the right to call and prepay any principal amount of this Bond at any time.

General Corporate Purpose Loan Agreement dated May 28, 2003. The loan matures on June 1 of each year, starting June 1, 2004, and interest is paid semiannually, commencing December 1, 2003. Interest rates are from 1.50% to 4.00%. The notes maturing in each of the years 2011 to 2014, inclusive, are subject to redemption prior to maturity at the times and on the terms specified in the notes.

Essential Corporate Purpose Loan Agreement dated May 28, 2003. The loan agreement matures on June 1 of each year, starting June 1, 2004, and interest is paid semiannually, commencing December 1, 2003. Interest rates are from 1.50% to 4.00%. The notes maturing in each of the years 2011 to 2014, inclusive, are subject to redemption prior to maturity at the times and on the terms specified in the notes. The combined General Corporate Purpose Loan and the Essential Corporate Purpose Loan had a combined balance of \$610,000 at June 30, 2009.

On November 30, 2005, the City issued \$3,995,000 in General Obligation Corporate Purpose and Refunding Bonds, Series 2005A. The loan matures on June 1 of each year, starting June 1, 2006. Interest is payable June 1, 2006 and semiannually thereafter on the first day of June and December of each year. Principal is payable June 1, 2006 and annually thereafter on

CITY OF OELWEIN

Notes to Financial Statement

June 30, 2009

the first day of June each year. The City has the right to repay part or all of the Bonds, maturing in the years 2014 to 2019. Prior to and in any order of maturity on June 1, 2012 or any date thereafter upon the terms of par and accrued interest in order to establish a Municipal Sanitary Sewer System, the City has entered into a Loan and disbursement Agreement with Iowa Finance Authority not to exceed \$8,954,000. Sewer Revenue Bonds will be issued in evidence of the obligation at the rate of 3% per annum. The City borrowed \$189,637 during the year ended June 30, 2008, of which the federal share was \$104,085. As of June 30, 2008 the City had borrowed \$8,949,000. Interest is payable each December 1 and June 1, with the first interest payment due December 1, 2005. During fiscal year ended June 30, 2008, the City paid \$343,000 in principal and \$253,936 in interest on this debt. Since the full amount has not been borrowed a final payment schedule had not been determined. The city will establish a Sewer Revenue Bond Sinking Fund, from which will be paid the principal and interest on this debt. The Bonds are not general obligations of the City, and thus not payable in any manner by taxation. The Bonds are subject to optional redemption by the City at a price of par plus accrued interest on any interest payment date after the ten year anniversary of the Agreement. Any optional redemption may be made from any funds regardless of source.

In May, 2009, the City issued \$1,190,000 in General Obligation corporate Purpose bonds, Series 2009 for the purpose of "...constructing street, streetscape, sanitary sewer, airport and park improvements, acquiring equipment for the police, parks and general municipal departments..." and for "...paying the cost, to the extent, of constructing an addition to the police department building and improvements at the municipal swimming pool...". The loan matures on June 1 of each year, starting June 1, 2010. Interest is payable December 1, 2009 and semiannually thereafter on the first day of June and December of each year. Principal is payable June 1, 2010 and annually thereafter on the first day of June each year; except for June 1, 2012, which Resolution No. 4562 states "Principal of the Bond maturing on June 1, 2013, is subject to mandatory redemption (by lot, as selected by Registrar) on June 1 in each of the years 2012 and 2013..." and June 1, 2014, which Resolution No. 4562 states "Principal of the Bond maturing on June 1, 2015, is subject to mandatory redemption (by lot, as selected by the Registrar) on June 1 in each of the years 2014 and 2015...". Interest rates are from 1.25% to 4.0%. City has reserved the right to prepay part or all of the Bonds maturing in each of the years 2016 to 2021.

4. Other Notes Payable

There is a note payable to Fidelity Bank of Oelwein, Iowa with a balance of \$172,000. Original amount \$700,000. Original date May 18, 2006. Interest rate 4%. Due date June 1, 2010. Purpose of the loan was the new library.

There is a line of credit for \$600,000 with Fidelity Bank of Oelwein, Iowa with an outstanding balance of \$110,191. Original date January 9, 2004.

CITY OF OELWEIN

Notes to Financial Statement

June 30, 2009

Interest rate 5.25%. Due date January 10, 2013. Purpose of the note was for the maintenance of the Donaldson Building.

5. U.S.D.A Promissory Note

There is a promissory note with the USDA for \$500,000. As of June 30, 2009 the City had drawn down \$295,600 on this note. The City is to pay interest only on this note April 25th of the years 2009, 2010 and 2011. Commencing April 25, 2012 and thereafter on each April 25th. The City is to pay principal and interest in an amount to fully amortize the loan in 30 years from the date of the note. Prepayments on the promissory note may be made.

During the year ended the City paid \$1,725 in interest on the note to USDA.

6. Sale of Donaldson Building

Sector 5 Technologies, Inc. has entered into a real estate contract dated September 11, 2008 with the City of Oelwein for the purchase of the Donaldson building. The purchase price was \$1,520,000. The City recognized a credit of \$750,000 in exchange for Sector 5's meeting several performance criteria as stated in the contract. The balance of \$770,000 due pursuant to terms of the real estate contract shall be paid in annual installments with a 0% interest rate as long as principal is paid when due. Any principal not paid when due shall draw interest at 7%. No installment payment due on the first anniversary, September 11, 2009. On the second anniversary, September 11, 2010 principal in the amount of \$70,000 plus interest if any is due. Annual installments of \$175,000 plus interest is due each anniversary thereafter, and a final balloon payment on the sixth anniversary. City agrees to grant Sector 5 a credit for each FTE Qualifying Project job meeting specific criteria. At June 30, 2009 Sector 5 Technologies, Inc. owed \$770,000.

In addition Sector 5 has agreed to pay the City for past expenses in the amount of \$165,000. In payment of this \$165,000 Sector 5 assigned rental payments from Wilbert. The Wilbert lease terminated March 15, 2009. At that time Wilbert had paid \$35,010 on the \$165,000 leaving a balance of \$129,990. Sector 5 then assigned monthly rental payments of \$3,099 from East Penn to the city up to \$152,240, the prior balance of \$129,990 plus \$22,250 in improvements. At June 30, 2009 the City has received in payments on the \$152,240 agreement. No payments had been received as of June 30, 2009.

7. Pension and Retirement Benefits

Municipal Fire and Police Retirement System of Iowa - The City contributes to the Municipal Fire and Police Retirement System of Iowa (the Plan), which is a cost-sharing multiple-employer defined benefit pension plan administered by a Board of Trustees. The Plan provides retirement, disability and death benefits, which are established by state statute to plan members and beneficiaries. The Plan issues a publicly available

CITY OF OELWEIN

Notes to Financial Statement

June 30, 2009

financial report that includes financial statements and required supplementary information. The report may be obtained by writing to Municipal Fire and Police Retirement System of Iowa, 2836 104th St., Urbandale, Iowa 50322.

Plan members are required to contribute 9.35% of earnable compensation and the City's contribution rate may not be less than 17%, actual was 18.75%, of earnable compensation. Contribution requirements are established by State statute. The City's contribution to the Plan for the years ended June 30, 2009, 2008 and 2007 were 104,574, \$134,627, and \$140,069 respectively, which met the required minimum contribution for each year.

Iowa Public Employees Retirement System - The City contributes to the Iowa Public Employees Retirement System (IPERS) which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by State statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa, 50306-9117.

Most regular plan members are required to contribute 4.10% of their annual salary and the City is required to contribute 6.35% of covered salary.

Certain employees in special risk occupations contribute an actuarially determined contribution rate. Contributions requirements are established by state statute. The City's contributions to IPERS for the years ended June 30, 2009, 2008 and 2007 were \$72,173, \$66,890, and \$61,535 respectively, equal to the required contributions for each year.

Iowa City Management Association - The City contributes to the Iowa City Management Association Retirement Corporation (ICMA-RC) on behalf of its City Administrator. ICMA-RC is a 457 deferred compensation plan. The City contributes the IPERS rate plus three percent. During the year ended June 30, 2009 the City contributed \$8,440 on behalf of the City Administrator.

8. Compensated Absences

City employees accumulate a limited amount of earned but unused vacation hours for subsequent use or for payment upon termination, retirement or death. These accumulations are not recognized as disbursements by the City until used or paid. The City's approximate maximum liability for employee vacation hours is \$73,598. This liability has been computed based on rates of pay in effect at June 30, 2009.

Sick leave hours are accumulated for subsequent use. Sick leave is not payable upon termination, retirement or death. These accumulations are not recognized as expenditures by the City, until used or paid.

CITY OF OELWEIN

Notes to Financial Statement

June 30, 2009

9. Related Party Transactions

No business between the City and City officials was noted for the year ended June 30, 2009.

10. Landfill Contract

The City has contracted with Fayette County Solid Waste Management Commission for solid waste disposal for all household residences within the City. For the year ended June 30, 2009, \$298,459 was paid pursuant to the agreement.

11. Deficit Fund Balances

Capital Project Funds – Airport Grant and Library Bond, and Proprietary Fund-Water Improvement had deficit balances at June 30, 2009, which the City considers temporary in nature.

12. Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2009 is as follows:

Transfers to	Transfers from	Amount
General	Capital Projects:	
	Bond Sale	\$ 262,840
	Business Type:	
	Water	20,000
	Sewer	20,000
	Special Revenue:	
	Local Option Tax	146,700
	Road Use Tax	20,000
	Emergency	29,650
	James TIF	1,197
	Hotel/Motel Tax	20,000
	Industrial Park TIF	10,982
		<u>531,369</u>
Special Revenue:	Enterprise:	
Municipal Trust	Water	<u>29,880</u>
	Capital Projects:	
	Bond Sale	<u>76,500</u>
		<u>106,380</u>
Capital Projects:	Special Revenue:	
Economic Development	Sales Tax	342,300
Brownsfield Grant	Economic Development	209
Sports Complex	General	1,810

CITY OF OELWEIN

Notes to Financial Statement

June 30, 2009

Capital Improvement	Capital Project	
	2005 Bond Sale	197
Downtown Betterment	2008 Bond Sale	<u>207,545</u>
Sewer Main Street	Business Type:	
	Waste Treatment	
	Improvement	<u>750,000</u>
Debt Service	Special Revenue:	
Debt Service	Downtown TIF	4,650
	Road Use Tax	25,820
	Dept Service:	
	Special Assessments	186,565
	Business Type:	
	Sewer	67,770
	Water	<u>55,640</u>
		<u>340,435</u>
Business Type:	Special Revenue	
Water	Municipal Trust	
	Indust. Park TIF	<u>46,721</u>
Sewer Bond Sinking	Enterprise:	
	Sewer	<u>625,000</u>
Williams Center	Capital Projects:	
	Economic Development	<u>60,493</u>
Williams Ctr Reserve	Economic Development	<u>2,500</u>
Total Interfund Transfers		<u>\$3,013,959</u>

13. Risk Management

The City of Oelwein is exposed to various risks of loss related to torts; theft, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The City assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

14. Gift of Donaldson Property

On July 1, 2003 the Donaldson Corporation gifted the property at 301 5th Ave SW to the City.

On January 9, 2004 the City secured a revolving line of credit for \$600,000 from the First National Bank of Oelwein, Iowa for the purpose of paying the expenses of the Donaldson property. It is the intention of the City to sell the building and then to pay off the revolving loan. The

CITY OF OELWEIN

Notes to Financial Statement

June 30, 2009

loan matures January 9, 2009. Interest rate is Wall Street Journal Prime minus .50%. Interest rate at June 30, 2008 was 7.75%. The loan is secured by property at 301 5rh Ave SW, Oelwein, Iowa. The balance of the loan at June 30, 2009 was \$110,191.

15. Intermediary Relending Program Loan Agreement (IRP)

In April 2008, the City entered into a loan agreement with the United States Department of Agriculture (U.S.D.A.) for \$500,000 at 1% on the funds as they are dispersed. The loan is a thirty year loan starting April 25, 2008. In order to receive this loan the City had to commit 25% of the loan (\$125,000) to the I.R.P. The I.R.P. is to be used for any project which will create permanent employment diversification of the local economy or increase to the local tax base of the City of Oelwein.

During the year ended June 30, 2009 the City loaned \$292,500 under the IRP program. The City has disbursed a total of \$377,500 under the IRP program to date. The City borrowed \$295,600 on their loan with the USDA during the year. The fund earned \$6,394 in interest during the year.

16. CEBA Grants

On April 18, 2002 the City was awarded \$234,000 from the Iowa Department of Economics Development (IDED) under the Community Economic Betterment Account (CEBA) program for the benefit of Transco. The award consisted of a loan for \$117,000 with interest at 0% for five years, and a forgivable loan portion for \$117,000. The City has entered into a similar loan/forgivable loan agreement with Transco.

The funds were received by the City in June of 2003. The City transferred this money to Transco. Payments on the \$117,000 loan are \$1,950 per month, to be received from Transco and then remitted to IDIED beginning September 1, 2003. Per letter dated June 23, 2003 IDIED has requested that Transco make payments directly to IDIED. The loan was paid off in July 2008.

On March 16, 2009 the City was awarded \$297,000 from the Iowa Department of Economic Development (IDED) under the Community Economic Betterment Account (CEBA) program for the benefit of Sector 5 Technologies, Inc. The award consisted of a loan for \$148,500 with interest at 0% for five years, and a forgivable loan portion for \$148,500. The City entered into a similar loan agreement with Sector 5 Technologies, Inc. The loan for \$148,500 was received in March 2009 by the City and then transferred to Sector 5. Payments on the loan are \$2,475 per month, beginning July 1, 2009.

CITY OF OELWEIN

Notes to Financial Statement

June 30, 2009

17. Litigation

The City has been notified of seven potential claims. The City has insurance coverage which will provide cost of defense and coverage for any established loss or judgment.

18. Subsequent Events

No subsequent events were noted that we believe need to be noted.

REQUIRED SUPPLEMENTAL INFORMATION

City of Oelwein
 Budgetary Comparison Schedule
 of Receipts, Disbursements and Changes in Balances-
 Budgetary Comparison Schedule
 All Governmental Funds and Proprietary Funds

Required Supplementary Information

Year ended June 30, 2009

	Governmental Funds Actual	Proprietary Funds Actual	Less Funds not Required to be Budgeted
Receipts:			
Property tax	\$ 1,848,092	-	-
Tax increment financing collections	150,020	-	-
Other city tax	531,325	-	-
Licenses and permits	77,139	-	-
Use of money and property	137,646	29,411	-
Intergovernmental	1,438,224	-	-
Charges for services	132,138	2,146,809	-
Special assessments	186,564	-	-
Miscellaneous	508,329	111,983	-
Total Receipts	5,009,477	2,288,203	-
Disbursements:			
Public Safety	1,470,636	-	-
Public Works	654,838	-	-
Health and Social Services	22,210	-	-
Culture and Recreation	664,204	3,070	-
Community and Economic Development	743,863	-	-
General Government	346,965	-	-
Debt Service	741,453	-	-
Capital Projects	762,187	-	-
Business type activities	15,941	2,284,357	-
Total Disbursements	5,422,297	2,287,427	-
Excess (deficiency) of receipts over (under) disbursements	(412,820)	776	-
Other financing sources (uses):	2,298,990	(833,576)	-
Net	1,886,170	(832,800)	-
Balance, beginning of year	2,315,358	1,329,850	-
Balance, end of year	\$ 4,201,528	497,050	-

See accompanying independent auditor's report

Net	Budgeted Amounts		Final to Net Variance
	Original	Final	
1,848,092	1,772,933	1,772,933	75,159
150,020	151,700	151,700	(1,680)
531,325	536,829	536,829	(5,504)
77,139	75,870	75,870	1,269
167,057	252,574	262,774	(95,717)
1,438,224	1,065,265	1,590,495	(152,271)
2,278,947	2,464,400	2,464,400	(185,453)
186,564	91,935	183,935	2,629
620,312	298,840	866,083	(245,771)
7,297,680	6,710,346	7,905,019	(607,339)
1,470,636	1,457,740	1,521,382	50,746
654,838	698,385	701,593	46,755
22,210	22,000	22,000	(210)
667,274	732,238	749,060	81,786
743,863	477,500	876,273	132,410
346,965	341,955	379,769	32,804
741,453	705,643	728,643	(12,810)
762,187	1,199,410	1,622,137	859,950
2,300,298	3,716,365	3,744,206	1,443,908
7,709,724	9,351,236	10,345,063	2,635,339
(412,044)	(2,640,890)	(2,440,044)	2,028,000
1,465,414	823,000	1,192,800	272,614
1,053,370	(1,817,890)	(1,247,244)	2,300,614
3,645,208	3,602,429	3,602,429	42,779
4,698,578	1,784,539	2,355,185	2,343,393

City of Oelwein

Notes to Required Supplementary Information-Budgetary Reporting

June 30, 2009

In accordance with the Code of Iowa, the City Council annually adopts a budget on the cash basis following required public notice and hearing for all funds except Internal Service Funds and Fiduciary Funds. The annual budget may be amended during the year utilizing similar statutorily prescribed procedures.

Formal and legal budgetary control is based upon ten major classes of disbursements known as functions, not by fund or fund type. These ten functions are: public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service, capital projects, business type activities and non-program. Function disbursements required to be budgeted include disbursements for the General Fund, Special Revenue Funds, Debt Service Fund, Capital Projects Funds and Proprietary Funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. During the year the budget amendment increased budgeted revenues by \$1,194,673 and budgeted disbursements by \$993,827. The budget amendment is reflected in the final budgeted amounts.

OTHER SUPPLEMENTARY INFORMATION

City of Oelwein

Statement of Cash Receipts, Disbursements
and Changes in Cash Balances
Nonmajor Governmental Funds

As of and for the year ended June 30, 2009

	Special Revenue	Capital Projects	Debt Service	Debt Service Special Assessments	Permanant Cemetery Perpetual Care	Total
Receipts:						
Property tax	\$ 29,650	-	275,665	-	-	305,315
TIF Collections	148,512	-	-	-	-	148,512
Other city tax	531,325	-	-	-	-	531,325
Use of money and property	15,074	10,147	5,949	2,342	-	33,512
Intergovernmental	241,697	421,429	-	-	-	663,126
Special assessments	-	-	-	186,564	-	186,564
Charges for services	-	-	-	-	-	-
Miscellaneous	80,543	159,309	-	-	4,149	244,001
Total receipts	1,046,801	590,885	281,614	188,906	4,149	2,112,355
Disbursements:						
Operating:						
Public safety	243,992	-	-	-	-	243,992
Public works	-	-	-	-	-	-
Health & Social Services	22,210	-	-	-	-	22,210
Culture and recreation	-	-	-	-	-	-
Community and economic devel.	347,615	-	-	-	-	347,615
General government	-	-	-	-	-	-
Debt service	31,690	192,020	517,743	-	-	741,453
Capital projects	-	567,625	-	-	-	567,625
Enterprise	15,918	-	-	-	-	15,918
Total disbursements	661,425	759,645	517,743	-	-	1,938,813
Excess (deficiency) of receipts over (under) disbursements	385,376	(168,760)	(236,129)	188,906	4,149	173,542
Other financing sources:						
U.S.D.A. Promissory Note	295,624	-	-	-	-	295,624
Operating transfers in	149,326	209,761	340,435	-	-	699,522
Operating transfers out	(603,915)	(198)	-	(186,565)	-	(790,678)
Net change in cash balances	226,411	40,803	104,306	2,341	4,149	378,010
Cash balances beginning of year	295,417	137,753	182,933	7,607	249,924	873,634
Cash balances end of year	\$ 521,828	178,556	287,239	9,948	254,073	1,251,644
Cash Basis Fund Balances						
Reserved for debt service	\$ -	-	287,239	9,948	-	297,187
Unreserved:						
Special revenue	521,828	-	-	-	-	521,828
Capital projects fund	-	178,556	-	-	-	178,556
Permanent Fund	-	-	-	-	254,073	254,073
Total cash basis fund balances	\$ 521,828	178,556	287,239	9,948	254,073	1,251,644

See accompanying independent auditor's report

City of Oelwein

Statement of Cash Receipts, Disbursements
and Changes in Cash Balances
Nonmajor Governmental Funds-Special Revenue

As of and for the year ended June 30, 2009

	#53 Lein3-03	#58 DARE	#50 Flex Spending	#57 Motel/ Hotel Tax	#59 Sales Tax
Receipts:					
Property tax	\$ -	-	-	-	-
Tax increemnt financing	-	-	-	-	-
Other city tax	-	-	-	47,860	483,465
Use of money and property	-	40	-	899	5,067
Intergovernmental	241,697	-	-	-	-
Miscellaneous	-	5,250	24,921	-	-
Total receipts	241,697	5,290	24,921	48,759	488,532
Disbursements:					
Operating:					
Public safety	237,140	1,757	-	-	-
Public works	-	-	-	-	-
Health & Social Service	-	-	22,210	-	-
Culture and recreation	-	-	-	-	-
Community and economic development	-	-	-	-	-
General government	-	-	-	-	-
Debt service	-	-	-	-	-
Capital projects	-	-	-	-	-
Enterprise	-	-	-	15,918	-
Total disbursements	237,140	1,757	22,210	15,918	-
Excess (deficiency) of receipts over (under) disbursements	4,557	3,533	2,711	32,841	488,532
Other financing sources:					
U.S.D.A. Promissory Note	-	-	-	-	-
Operating transfers in	-	-	-	-	-
Operating transfers out	-	-	-	(21,725)	(489,000)
Net change in cash balances	4,557	3,533	2,711	11,116	(468)
Cash balances beginning of year	(4,237)	10,406	1,503	24,183	3,724
Cash balances end of year	\$ 320	13,939	4,214	35,299	3,256
Cash Basis Fund Balances					
Unreserved:					
Special revenue funds	\$ 320	13,939	4,214	35,299	3,256
Total cash basis fund balances	\$ 320	13,939	4,214	35,299	3,256

See accompanying independent auditor's report

#55 IRP Revolving Loan	#68 Municipal Trust	#99 Forfitted Assets	#94 Emergency	#56 Downtown TIF	#92 Industrial Park TIF	#95 Bertch TIF	#96 James Dev TIF	Total
-	-	-	29,650	-	-	-	-	29,650
-	-	-	-	4,640	57,499	31,392	54,981	148,512
-	-	-	-	-	-	-	-	531,325
2,180	6,293	33	-	-	204	358	-	15,074
-	-	-	-	-	-	-	-	241,697
42,414	-	7,958	-	-	-	-	-	80,543
44,594	6,293	7,991	29,650	4,640	57,703	31,750	54,981	1,046,801
-	-	5,095	-	-	-	-	-	243,992
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	22,210
-	-	-	-	-	-	-	-	-
293,831	-	-	-	-	-	-	53,784	347,615
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	31,690	-	31,690
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	15,918
293,831	-	5,095	-	-	-	31,690	53,784	661,425
(249,237)	6,293	2,896	29,650	4,640	57,703	60	1,197	385,376
295,624	-	-	-	-	-	-	-	295,624
42,946	106,380	-	-	-	-	-	-	149,326
-	-	-	(29,650)	(4,640)	(57,703)	-	(1,197)	(603,915)
89,333	112,673	2,896	-	-	-	60	-	226,411
-	253,032	6,486	-	-	-	320	-	295,417
89,333	365,705	9,382	-	-	-	380	-	521,828
89,333	365,705	9,382	-	-	-	380	-	521,828
89,333	365,705	9,382	-	-	-	380	-	521,828

City of Oelwein

Statement of Cash Receipts, Disbursements
and Changes in Cash Balances
Nonmajor Governmental Funds-Capital Projects

As of and for the year ended June 30, 2009

	#78 Housing Grant	#79 Airport Grants	#73 Capital Equipment	#82 Downtown Betterment
Receipts:				
Tax increemnt financing	\$ -	-	-	-
Other city tax	-	-	-	-
Use of money and property	-	-	1,765	-
Intergovernmental	63,008	346,743	-	-
Charges for Services	-	-	-	-
Miscellaneous	-	-	-	1,000
Total receipts	63,008	346,743	1,765	1,000
Disbursements:				
Operating:				
Public safety	-	-	-	-
Public works	-	-	-	-
Culture and recreation	-	-	-	-
Community and economic development	-	-	-	-
General government	-	-	-	-
Debt service	-	-	-	-
Capital projects	68,573	364,654	17,095	185
Enterprise	-	-	-	-
Total disbursements	68,573	364,654	17,095	185
Excess (deficiency) of receipts over (under) disbursements	(5,565)	(17,911)	(15,330)	815
Other financing sources:				
Operating transfers in	-	-	197	207,545
Operating transfers out	-	-	-	-
Net change in cash balances	(5,565)	(17,911)	(15,133)	208,360
Cash balances beginning of year	8,495	15,623	84,964	(208,360)
Cash balances end of year	\$ 2,930	(2,288)	69,831	-
Cash Basis Fund Balances				
Unreserved:				
Capital projects fund	\$ 2,930	(2,288)	69,831	-

See accompanying independent auditor's report

SCHEDULE 3

#86-Trails- Platts to Wings	#83 Sports Complex	#89 Library Bond	#88 Brownsfield Grant	#93 Pave 7th St	#87 2005 Bonds	Total
-	-	-	-	-	-	-
-	-	-	-	-	-	-
4,629	509	2,301	-	943	-	10,147
-	-	-	11,678	-	-	421,429
-	-	-	-	-	-	-
-	-	158,309	-	-	-	159,309
4,629	509	160,610	11,678	943	-	590,885
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	192,020	-	-	-	192,020
40,794	32,837	-	11,682	31,805	-	567,625
-	-	-	-	-	-	-
40,794	32,837	192,020	11,682	31,805	-	759,645
(36,165)	(32,328)	(31,410)	(4)	(30,862)	-	(168,760)
-	1,810	-	209	-	-	209,761
-	-	-	-	-	(198)	(198)
(36,165)	(30,518)	(31,410)	205	(30,862)	(198)	40,803
136,075	30,518	23,445	(205)	47,000	198	137,753
99,910	-	(7,965)	-	16,138	-	178,556
99,910	-	(7,965)	-	16,138	-	178,556

City of Oelwein

Statement of Cash Receipts, Disbursements
and Changes in Cash Balances
Nonmajor Proprietary Funds

As of and for the year ended June 30, 2009

	#62 Water Improvement	#70 Landfill	#71 Recycling	#72 Williams Center	#
Receipts:					
Charges for services	\$ -	216,365	80,310	111,773	
Miscellaneous	-	-	-	7,561	
Total receipts	-	216,365	80,310	119,334	
Disbursements:					
Operating:					
Culture & Recreation	-	-	-	-	
Enterprise	3,684	220,507	82,240	175,666	
Debt Service					
Principal	-	-	-	-	
Interest	-	-	-	-	
Total disbursements	3,684	220,507	82,240	175,666	
Excess (deficiency) of receipts over (under) disbursements	(3,684)	(4,142)	(1,930)	(56,332)	
Other financing sources:					
Use of money and property	-	300	115	598	
Operating transfers in	-	-	-	60,493	
Operating transfers out	-	-	-	-	
Net change in cash balances	(3,684)	(3,842)	(1,815)	4,759	
Cash balances beginning of year	-	16,008	11,098	(4,759)	
Cash balances end of year	\$ (3,684)	12,166	9,283	-	
Cash Basis Fund Balances					
Reserved	\$ -	-	-	-	
Unreserved	(3,684)	12,166	9,283	-	
Total cash basis fund balances	\$ (3,684)	12,166	9,283	-	

See accompanying independent auditor's report

SCHEDULE 4

#98 Williams Center Reserve	#76 Customer Deposits-Water	#84 Fuel	Total
-	-	106,666	515,114
-	24,400	5,375	37,336
-	24,400	112,041	552,450
3,070	-	-	3,070
-	22,169	95,143	599,409
-	-	-	-
-	-	-	-
3,070	22,169	95,143	602,479
(3,070)	2,231	16,898	(50,029)
-	1,934	-	2,947
2,500	-	-	62,993
-	-	-	-
(570)	4,165	16,898	15,911
11,557	59,885	(11,891)	81,898
10,987	64,050	5,007	97,809
10,987	-	-	10,987
-	64,050	5,007	86,822
10,987	64,050	5,007	97,809

CITY OF OELWEIN
STATEMENT OF INDEBTEDNESS
YEAR ENDED JUNE 30, 2009

<u>Obligation</u>	<u>Date of Issue</u>	<u>Interest Rates</u>	<u>Amount Originally Issued</u>
General obligation corporate purpose and refunding notes	5-28-03	7.00%	\$ 1,025,000
General obligation corporate purpose and refunding notes Series 2005A	11-30-05	3.1-4.35%	3,995,000
General obligation corporate purpose bonds, Series 2009	5-1-09	1.25-4.0%	1,190,000
Revenue notes:			
Sewer revenue bonds, series 2005 State Revolving Funds (Fd # 90)	5-23-05	3.00%	8,954,000
Urban renewal tax increment financing (TIF) revenue bond Regions Bank of Oelwein, IA Bertch TIF (Fd # 95)	12-23-98	6.61%	221,000
CEBA Loan Agreement			
For the Benefit of Transco	6-24-03	0%	117,000
For the Benefit of Sector 5 Tech	3-16-09	0.00%	148,500
			<u>Amount Available</u>
Revolving Line of Credit with Fidelity Bank of Oelwein, IA Donaldson Building	1-9-04	Variable 3.5% at 6/30/05 Due 1/9/09	600,000
Note with Fidelity Bank of Oelwein, IA-Library Loan	5-18-06	4.00%	700,000

see accompanying independent auditor's report

<u>Balance Beginning of Year</u>	<u>Issued During Year</u>	<u>Redeemed During Year</u>	<u>Balance End of Year</u>	<u>Interest Paid</u>	<u>Interest Due and Unpaid</u>
640,000	-	30,000	610,000	23,895	-
3,610,000	-	320,000	3,290,000	142,948	-
-	1,190,000	-	1,190,000	-	-
<u>\$ 4,250,000</u>	<u>1,190,000</u>	<u>350,000</u>	<u>5,090,000</u>	<u>166,843</u>	<u>-</u>
<u>\$ 8,273,000</u>	<u>-</u>	<u>354,000</u>	<u>7,919,000</u>	<u>248,138</u>	<u>-</u>
<u>\$ 57,106</u>	<u>-</u>	<u>28,468</u>	<u>28,638</u>	<u>3,222</u>	<u>-</u>
1,950	-	1,950	-	-	-
-	148,500	-	148,500	-	-
<u>\$ 1,950</u>	<u>148,500</u>	<u>1,950</u>	<u>148,500</u>	<u>-</u>	<u>-</u>
<u>\$ 143,191</u>	<u>-</u>	<u>33,000</u>	<u>110,191</u>	<u>6,261</u>	<u>-</u>
<u>\$ 350,000</u>	<u>-</u>	<u>178,000</u>	<u>172,000</u>	<u>14,020</u>	<u>-</u>

CITY OF OELWEIN

BOND MATURITIES AND NOTES

June 30, 2009

Year Ending June 30,	General & Essential Corporate Purpose Loan Agreements		General Obligation Corporate Purpose and Refunding Note		General Obligation Corporate Purpose Series 2009	
	Issued May 28, 2003		Issued November 30, 2005		Issued May 1, 2009	
	Interest Rates	Amount	Interest Rates	Amount	Interest Rates	Amount
2010	3.30%	30,000	3.50%	335,000	1.25%	20,000
2011	3.50%	125,000	3.60%	170,000	1.50%	45,000
2012	3.70%	125,000	3.70%	180,000	-	-
2013	3.85%	130,000	3.80%	235,000	2.00%	95,000
2014	4.00%	200,000	3.90%	165,000	-	-
2015			4.00%	385,000	2.50%	115,000
2016			4.10%	395,000	3.00%	140,000
2017			4.15%	455,000	3.20%	145,000
2018			4.25%	475,000	3.40%	150,000
2019			4.35%	495,000	3.60%	155,000
2020					3.80%	160,000
2021					4.00%	165,000
		<u>\$ 610,000</u>		<u>3,290,000</u>		<u>1,190,000</u>
Urban Renewal Tax Increment Financing (TIF) Revenue Bond			Revenue Notes Sewer Revenue Bond			
Issued December 23, 1998			Issued May 23, 2005			
Year Ending June 30,	Interest Rates	Amount	Interest Rates	Amount		
2010	6.61%	28,638	3.00%	364,000		
2011			3.00%	375,000		
2012			3.00%	386,000		
2013			3.00%	398,000		
2014			3.00%	410,000		
2015			3.00%	422,000		
2016			3.00%	435,000		
2017			3.00%	448,000		
2018			3.00%	461,000		
2019			3.00%	475,000		
2020			3.00%	490,000		
2021			3.00%	504,000		
2022			3.00%	519,000		
2023			3.00%	535,000		
2024			3.00%	551,000		
2025			3.00%	567,000		
2026			3.00%	579,000		
		<u>\$ 28,638</u>		<u>7,919,000</u>		

See accompanying independent auditor's report

City of Oelwein

Schedule of Receipts by Source and Disbursements by Function
 All Governmental Funds
 For the Last Four Years—Years Ended June 30

	2009	2008	2007	2006	2005
Receipts:					
Property tax	\$ 1,848,092	1,812,366	1,828,186	1,746,846	1,653,158
Tax increment financing	150,020	136,547	138,099	161,607	155,521
Other city tax	531,325	474,004	508,516	399,905	394,643
Licenses and permits	77,139	72,053	73,689	67,977	61,375
Use of money and property	137,646	271,087	199,268	184,814	104,457
Intergovernmental	1,438,224	1,191,561	1,698,867	1,743,440	1,375,291
Special assessments	186,564	131,537	37,166	41,252	45,058
Charges for service	132,138	145,868	157,803	144,706	407,599
Miscellaneous	508,329	395,268	576,110	397,606	341,271
Total	\$ 5,009,477	4,630,291	5,217,704	4,888,153	4,538,373
Disbursements:					
Operating:					
Public safety	\$ 1,470,636	1,506,802	1,508,523	1,649,099	1,952,294
Public works	654,838	641,866	545,938	525,040	531,129
Health and social services	22,210	19,092	14,927	10,929	-
Culture and recreation	664,204	673,792	595,684	536,794	495,819
Community and economic development	743,863	673,493	387,696	207,295	155,908
General government	346,965	250,274	248,696	283,983	224,816
Debt service	741,453	754,716	1,637,853	375,937	261,230
Capital projects	762,187	1,001,904	3,334,784	4,373,910	2,056,814
Enterprise	15,941	53	-	-	-
Total	\$ 5,422,297	5,521,992	8,274,101	7,962,987	5,678,010

See accompanying independent auditor's report

City of Oelwein
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2009

<u>Grantor/Program</u>	<u>CFDA Number</u>	<u>Agency Pass- through Number</u>	<u>Program Expenditures</u>
<u>Indirect:</u>			
<u>Department of Homeland Security</u>			
Iowa Department of Public Defense LETPP Fusion Center	97.067	0168-LTPL-L3	\$ 241,697
<u>Federal Emergency Management Agency</u>			
Iowa Homeland Security and Emergency Management Division	97.036	FEMA-1763-D-IA Project#01DW072	17,173
<u>U.S. Department of Justice</u>			
Iowa Department of Justice DASART-Stop Violence Against Women	16.588	VW-09-63C	4,760
<u>U.S. Department of Transportation</u>			
Iowa Department of Public Safety STEP	20.604	08-157, Task 132	3,705
Alcohol Incentive Grant 09-410	20.601	PAP 09-410, Task 55	3,323
Airport Improvement Program	20.106	3-19-0067-03	346,743
<u>Department of Housing and Urban Development</u>			
Iowa Department of Economic Development Community Development Block Grant	14.228	05-HSG-063	63,008
<u>Environmental Protection Agency</u>			
Iowa Department of Natural Resources Brownsfield Grant	66.818	BF-98761201-0	11,678
Total			<u>\$ 692,087</u>

Basis of Presentation-

The Schedule of Expenditures of Federal Awards includes the federal grant activity of the City of Oelwen and is presented in conformity With an other comprehensive basis of accounting. The information on this schedule is presented in accordance with the requirements of OMB Circular A-133, **Audits of States, Local Governments, and Non-Profit Organizations.** Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the presentation of the basic financial statements.

See accompanying independent auditor's report

RFSW Ridihalgh Fuelling
Snitker Weber & Co.
C E R T I F I E D P U B L I C A C C O U N T A N T S

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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE
AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING

To the Honorable Mayor and
Members of the City Council:

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Oelwein, Iowa, as of and for the year ended June 30, 2009, which collectively comprise the City's basic financial statements listed in the table of contents, and have issued our report thereon dated November 20, 2009. Our report expressed unqualified opinions on the financial statements which are prepared in conformity with another comprehensive basis of accounting. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Oelwein's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing our opinion on the effectiveness of Oelwein's internal control over financial reporting. Accordingly, we do not express any opinion on the effectiveness of Oelwein's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies, including deficiencies we consider to be material weaknesses.

A control deficiency exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency or combination of control deficiencies, that adversely affects Oelwein's ability to initiate, authorize, record, process, or report financial data reliably in accordance with an other comprehensive basis of accounting such that there is more than a remote likelihood a misstatement of Oelwein's financial statements that is more than inconsequential will not be prevented or detected by Oelwein's internal control. We consider the deficiencies in internal control described in Part II of the accompanying Schedule of Findings and Questioned Costs to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood a material

misstatement of the financial statements will not be prevented or detected by Oelwein's internal control.

Our consideration of the internal control over financial reporting was for the limited purposes described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Compliance and Other Matters


As part of obtaining reasonable assurance about whether the City of Oelwein's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance that are described in Part IV of the accompanying Schedule of Findings and Questioned Costs.

Comments involving statutory and other legal matters about the City's operations for the year ended June 30, 2009 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the City. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes. Prior year statutory comments have been resolved.

Oelwein's responses to findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. While we have expressed our conclusions on the City's responses, we did not audit Oelwein's responses and, accordingly, we express no opinion on them.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of the City of Oelwein and other parties to whom the City of Oelwein may report, including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

We should like to acknowledge the many courtesies and assistance extended to us by personnel of the City of Oelwein during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.


RIDIHALGH, FUELLING, SNITKER, WEBER AND COMPANY, P.C.
CERTIFIED PUBLIC ACCOUNTANTS

November 20, 2009

Independent Auditor's Report on Compliance with Requirements
Applicable to Each Major Program and Internal Control over compliance
in accordance with OMB A-133

RFSW Ridihalgh Fuelling
Snitker Weber & Co.
C E R T I F I E D P U B L I C A C C O U N T A N T S

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Independent Auditor's Report on Compliance with Requirements
Applicable to Each Major Program and on Internal Control over Compliance
In Accordance with OMB Circular A-133

To the Honorable Mayor and
Member of the City Council:

Compliance

We have audited the compliance of the City of Oelwein, Iowa, with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to its major federal program for the year ended June 30, 2009. The City of Oelwein's major federal program is identified in Part I of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grant agreements applicable to its major federal program is the responsibility of the City of Oelwein's management. Our responsibility is to express an opinion on the City of Oelwein's compliance based on our audit.

We conducted our audit of compliance in accordance with U.S. generally accepted auditing standards, the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether non-compliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the city of Oelwein's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the City of Oelwein's compliance with those requirements.

In our opinion, the City of Oelwein complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended June 30, 2009.

Internal Control Over Compliance

The management of the City of Oelwein is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grant agreements applicable to federal programs. In planning and performing our audit, we considered the City of Oelwein's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose

of expressing an opinion on the effectiveness of Oelwein's internal control over compliance.

Our consideration of the internal control over compliance was for the limited purpose described in the preceding paragraph and would not necessarily identify all the deficiencies in the City's internal control that might be significant deficiencies or material weaknesses as defined below.

A control deficiency in the City's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect non-compliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the City's ability to administer a federal program such that there is more than a remote likelihood non-compliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the City's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood material non-compliance with a type of compliance requirement of a federal program will not be prevented or detected by the City's internal control.

Oelwein's responses to findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. While we have expressed our conclusions on the City's responses, we did not audit Oelwein's responses and, accordingly, we express no opinion on them.

This report, a public record by law, is intended solely for the formation and use of the officials, employees and citizens of the City of Oelwein and other parties to whom the City of Oelwein may report, including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

Ridihalgh, Fuelling, Snitker, Weber & Co., P.C.

Ridihalgh, Fuelling, Snitker, Weber & Co. P.C.

November 20, 2009

CITY OF OELWEIN

SCHEDULE OF FINDINGS

YEAR ENDED JUNE 30, 2009

Part I - Summary of the Independent Auditor's Results

- a.) An unqualified opinion was issued on the financial statements which were prepared on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than U.S. generally accepted accounting principles.
- b.) No reportable conditions in internal control over financial reporting were disclosed by the audit of the financial statements.
- c.) The audit did not disclose any non-compliance which is material to the financial statements.
- d.) No reportable condition in internal control over the major program was disclosed by the audit of the financial statements.
- e.) An unqualified opinion was issued on compliance with requirements applicable to the major program.
- f.) The audit did not disclose any audit findings which are required to be reported in accordance with Office of Management and Budget Circular A-133, Section 510(a).
- g.) The major program was CFDA Number 20.106
- h.) The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- i.) The City of Oelwein did not qualify as a low-risk auditee.

Part II - Findings Related to the Financial Statements:

Instances of non-compliance:

No matters were noted.

Significant Deficiencies:

The City of Oelwein, Iowa does not employ an accounting staff with the technical expertise to prepare its financial statements (including footnotes disclosures) in conformity with accounting principles general accepted in the United States of America; therefore, it relies on its auditors to prepare such statements.

Management feels that having the auditors draft the financial statements and notes is a tolerable situation. Internal financial statements are prepared monthly for reporting and decision making purposes. The requirements and form of the audited statements are different than the internal needs and change occasionally. Given the size of the organization, it is helpful to relay on the expertise of the auditors to monitor those requirements. Management approves the draft financial statements prior to their issuance.

CITY OF OELWEIN

SCHEDULE OF FINDINGS

YEAR ENDED JUNE 30, 2009

Part III — Findings and Questioned Cost for Federal Awards:

Instances of non-compliance:

No matters were noted.

Reportable Conditions:

None

Part IV — Other Findings Related to Statutory Reporting:

IV-A-09 Certified Budget--Disbursements during the year ended June 30, 2009 exceeded budgeted in the Health and Social Services and the Debit Service programs. Chapter 384.20 of the code of Iowa states, in part, "Public monies may not be expended or encumbered except under an annual or continuing appropriation."

Recommendation — The budget should have been amended in accordance with Chapter 384.18 of the Code of Iowa before disbursements were allowed to exceed the budget.

Response — The budget will be amended in the future, if applicable.

Conclusion — Response accepted.

IV-B-09 Questionable Disbursements--No expenditures were noted for parties, banquets, or other entertainment for employees that we believe may constitute an unlawful expenditure from public funds as defined in an Attorney General's opinion dated April 25, 1979.

IV-C-09 Travel Expenses--No expenditures of City money for travel expenses of spouses of City officials or employees were noted.

IV-D-09 Business Transactions--No business transactions between the City and City officials or employees were noted.

IV-E-09 Bond Coverage--Security bond coverage of City officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that coverage is adequate for current operations.

IV-F-09 Council Minutes--No transactions were found that we believe should have been approved in the Council minutes but were not.

IV-G-09 Deposits and Investments--We noted no instances of

CITY OF OELWEIN

SCHEDULE OF FINDINGS

YEAR ENDED JUNE 30, 2009

noncompliance with the deposit and investment provisions of Chapter 12B and 12C of the Code of Iowa and the City's investment policy.

- IV-H-09 Temporary Investments--The City has a systematic investment program. During the year ended June 30, 2009, the investments resulted in interest income of \$241,600.

Part IV - Other Findings Related to Statutory Reporting (continued):

- IV-I-09 Financial Condition--At June 30, 2009 the City had a deficit balance in the Airport Grants fund, the Library Bond fund, and the Water Improvement fund which the City considers temporary in nature.
- IV-J-09 Closed Session --We noted an instance in the minutes in which the Council went into closed session, but the minutes do not document the specific exemption regarding the closed session as required by Chapter 21 of the code of Iowa, commonly known as open meeting law.

Recommendation - The City should comply with Chapter 21 of the Code of Iowa when going into closed session.

Response - We will comply with the Code requirements for closed sessions in the future.

Conclusion - Response accepted.

None

- IV-K-09 Official Depositories--A resolution naming official depositories has been approved by the City. The maximum deposit amounts stated in the resolution were not exceeded during the year ended June 30, 2009.
- IV-L-09 Revenue Bonds and Notes --No instances of non-compliance with the revenue bond and note resolutions were noted.

CITY OF OELWEIN

AUDIT STAFF

This audit was performed by:

Donald A. Snitker, CPA, Manager
Al Flick, CPA, Assistant Auditor